THE WEEK THAT JUST WAS

VOL. 1. NO. 8 (to December 20, 1998).

BB=Bilderberger CFR=Council on Foreign Relations M=Mason RS=Rhodes Scholar TC=Trilateralist

THE ADL GIVES GOVERNOR BUSH A CLEAN BILL ON RELIGIOUS BELIEFS

Governor Bush was accompanied in his recent trip to Israel (U.S. News Dec. 14) by key Jewish Republicans, including Mel Sembler, finance chairman of the Republican National Committee. Abraham Foxman, the national director of the New York-based ADL, has now given Bush (Austin American-Statesman Dec. 13) a clean bill of health, saying he has proven his "commitment to tolerance, diversity and the principles of religious freedom." In a statement, after private conversations with Bush, Foxman said: "The matter of his 1993 statement is now behind us." The ADL has recently unveiled a new software program (New American Dec. 21) to help parents filter bigotry out of their computers. The "HateFilter" also steers the user to the ADL's own home page. On November 17, the 1st Dictrict Court of Appeals, in San Francisco, ordered the self-appointed monitor of hate groups to surrender information it had illegally obtained on pro-Palestinian activists, Jewish dissidents, and others believed by the ADL to be "extremists." In the appeal, the plaintiffs stated that the ADL "illegally obtained confidential records, such as driver's licenses and Social Security numbers, from the state and used them to get people blacklisted among the organization's supporters."

Gregory Gallico III (S&B 1968), a Boston Plastic Surgeon, told the *Fort Worth Star Telegram* last month (Austin American-Statesman Dec. 18) about himself, Governor Bush (S&B 1968) and other Delta Kappa Epsilon brothers at Yale: "Drank a ton in college. It was absolutely off the wall. It was appalling. I cannot for the life of me figure out how we made it through." Bush told *GQ Magazine*, while drinking a non-alcoholic beer: "I had more than my fill of the real stuff. Ask the guys who used to hang with me back then. It wasn't pretty." The Governor stopped drinking 12 years ago. Governor Bush and Lt. Governor-elect Rick Perry have chosen their inauguration theme (Austin American- Statesman Dec. 19) for January 19, 1999: "Together We Can-Juntos Podemos."

LIVINGSTON WILL NOT SERVE AS SPEAKER AND WILL SHORTLY LEAVE THE HOUSE

Amid the impeachment debate, Bob Livingston (AP Dec. 19) announced he would leave Congress next year and would not serve as Speaker of the House. Candidates now included chief deputy whip Dennis Hastert (R-Illinois), Christopher Cox (R-California), Henry Hyde (R-Illinois) and Bill Archer (R-Texas).

GORE VISITING NEW HAMPSHIRE REGULARLY IN PREPARATION TO RUN

Vice-President Gore (CFR/M) has visited New Hampshire (Reuters Dec. 15) about once every six weeks since March to keep his front-runner position. He is combining political trips with official business -- including announcing more than $3 million in federal environmental and educational grants. Governor Bush has not yet been to New Hampshire. Gore made his third trip to Israel in the past four years (U.S. News Dec. 14) when he visited last May to help celebrate the 50th anniversary of its founding. Gore's top foreign policy guru is Leon Fuerth (The New Republic Dec. 7). Richard Holbrooke (BB/CFR/TC) called Fuerth "one of those powerful but rarely seen people who play major roles behind the scene in Washington." He is one of the members of "the Principals Committee" whose members include William Cohen, Madeline Albright and Sandy Burger.

BONESMAN DEMOCRATIC PRESIDENTIAL HOPEFUL KERRY IS AT THE HEAD OF HIS CLASS NOW

John Forbes Kerry (S&B 1966), while in the U.S. Senate. "has consistently gone to bat for the NEA," according to Dana Milbank (The New Republic Dec. 14). He earned a 100% tally in NEA's most recent rating as well as in the American Federation of Teacher's voting analysis. On schools he recently stated: "I'm for tough love here folks. It's time to come in and kick some butts. Democrats can't be viewed as somehow protecting these practices. You can't do this in some loosey-goosey, half-assed way."

Kerry's Yale Bones Class of 1966 was: John R. Bockstoce (S&B 1966); George Clifford Brown (S&B 1966); Alan W. Cross (S&B 1966) -- M.D. Director, Center for Health Promotion and Disease Prevention at UNC-Chapel Hill; Michael Thomas Dalby (S&B 1966); James Ernest Howard (S&B 1966); Forrest David Laidley (S&B 1966); Richard Warren Pershing (S&B 1966) -- Born in New York City on October 25, 1947. Grandson of General John J. Pershing. Died in Vietnam on February 17, 1968. His father, F. Warren Pershing, is or was the senior partner in Pershing & Co., stockbrokers. A graduate of both Phillips Exter Academy and Yale, he had just completed training at Ft. Benning, Georgia, before going to Vietnam. He was engaged to Shirley Hildreth Gay, a member of the editorial staff at *Vogue Magazine*; David McIver Rumsey (S&B 1966); Ronald Leonard Singer (S&B 1966); Frederick W. Smith (S&B 1966) -- Chairman of American Express. Met with President Clinton (Washington Post August 21, 1997) for 45 minutes to discuss a problem that was costing his company $100 million a year. Made a $250,000 contribution to the DNC. Federal Express is (Reuters Dec. 18) the world's largest air express package carrier. It has reached a tenative new agreement with its 3,600 pilots; William Burks Stanberry, Jr. (S&B 1966); David Hoadley Thorne (S&B 1966) and Thomas Vargish (S&B 1966).

BANKER BOWLES BOWS OUT OF N.C. GOVERNOR'S RACE

Former Clinton administration chief of staff, Erskine Bowles, who resigned in October, announced (AP Dec. 15) that he would not make the transition to becoming a politician by running for the governorship of North Carolina. The 53 -- year-old investment banker, who has extensive business connections and personal wealth, said he would continue to work in the private sector and help nonprofit groups.

ATTACK ON IRAQ BRINGS OUT VIRTUALLY UNANIMOUS ELITES IN SUPPORT OF MILITARY ACTION: IT'S THE RIGHT THING TO DO IS KEY PHRASE USED TO BACK UN MASS DESTRUCTION WEAPONS-INSPECTION REGIME

James Chance recently wrote in the *New York Review of Books*: "Although the Clinton administration certainly doesn't want to admit it, 1999 will mark the eleventh year of the Bush administration -- at least as far as foreign policy is concerned."

William Sebastian Cohen (CFR/TC), Secretary of Defense, observed (NBC News Dec. 16) a history of Iraqi lack of cooperation with Richard Butler: "(F)aced with Iraq's outright refusal to obey its international obligations, the United States acted to restrict the threat that Iraq poses to its neighbors and international order." Cohen (ABC Dec. 17) denied that the U.S. was tracking Saddam Hussein. Cohen said Saddam had some 80 palaces (News Hour Dec. 17) at last count.

A CNN poll (Reuters Dec. 17) showed that 74% of Americans supported the air strikes with 13% opposed. An NBC poll (NBC De. 17) showed that 75% approved the military strike while 17% disapproved. On the question of whether the air strikes were connected to the pending impeachment vote, 59% disagreed while 27% agreed. But Republican Senate Majority Leader Trent Lott stated (CNN Dec. 16): "It's the right thing to do at the wrong time." Clinton said

Thursday that air strikes (Reuters Dec. 17) were "absolutely the right thing to do." Newt Gingrich (CFR) strongly (AP Dec. 17) endorsed the military action as he formally passed his gavel to Bob Livingston: "We must carry the burden of leading the world."

While the *Washington Times* said (Reuters Dec. 17) that Clinton's attack followed the pattern of the "Wag the Dog scenario," the *New York Times* said the action "was fully justified." Support for the President and U.S. troops also came from the *Los Angeles Times*, *The Washington Post*, the *Boston Globe*, the *Hartford Courant*, the *Miami Herald* and the *Chicago Tribune*.

Madeline Albright (CFR/TC) told Jim Lehrer (CFR) that (News Hour Dec. 17): "I believe that the President did the right thing to make the decision to have this military campaign at this time." The decision was based upon the Butler report, she said. Butler consulted with the permanent five of the Security Council. Richard Butler (ABC Dec. 17) said that his report "danced to no one's tune."

James A. Baker III (CFR) of the Baker Institute said (NBC News Dec. 16) there was a need for speed and that Clinton probably was forced to act: "We've diddled around . . . we probably had to act, this is the right thing, I think, for the United States to do . . . Nobody could be so craven as to risk the lives of our military men and women to cover their political backsides . . . " Baker, who served in senior positions under President Ford, Reagan and Bush, is on the board of Directors of Rice University, Princeton University, the Woodrow Wilson International Center for Scholars in the Smithsonian and the Howard Hughes Institute. He is senior partner in the law firm of Baker & Botts and senior counselor to The Carlyle Group. The 1st Director of the James A. Baker III Institute for Public Policy at Rice University is Edward Peter Djerejian (CFR) who served as Clinton's Ambassador to Israel.

Samuel R. Berger (CFR), U.S. National Security Adviser, explained (CNN Dec. 16) that the UN Secretary-General had agreed upon five criteria. Iraq has not cooperated. The inspection commission was not able to function. Richard Butler, on Tuesday, reported that due to Iraq's deception, the inspections were ineffectual. There was no choice but to take military action. The object was to take out missiles, weapons of mass destruction and prevent aggression towards neighbors. With the inspections no longer being possible, the U.S. had to make good on its threats of military force. 40 out of 42 U.S. embassies (CBS Dec. 17) were shut down in Africa.

Tom Brokaw (CFR) stated (NBC News Dec. 16): "It is a chaotic situation. None of us can remember, at least in recent memory, the confluence of these kinds of events in which you have a major military action ordered by the president of the United States who is on the eve of being put, in effect, of being put in the dock of the House of Representatives and subjected to articles of impeachment just 15 hours later." He also said (NBC News Dec. 17) that even though the President was commander- in-chief, the impeachment rolled on. On Friday Brokaw opened the most watched news (NBC Dec. 18): "And questions about hypocrisy. The new House Speaker admits cheating on his wife. Should he judge the President?"

Former President Jimmy Carter (CFR/TC) stated (Reuters Dec. 17): "American leaders played no role in the timing of Iraq's violations, which cannot be related to political events in Washington."

President Clinton (BB/CFR/RS/TC), in response to a question from Wolf Blitzer, said (NBC De. 17): "And I don't believe any reasonably astute person in Washington would believe that Secretary Cohen and General Shelton and the whole rest of the National Security team would participate in such an action."

Laurence S. Eagleburger (CFR/TC), however, apparently broke rank, and said (NBC News Dec. 16) that "it smells." Eagleburger is with Baker, Donelson, Bearman & Caldwell P.C., D.C. and

sits on the board of directors of Phillips Petroleum Co.

Richard ("Dick") Andrew Gephardt (CFR) opposed holding a debate on impeachment (ABC Dec. 17) in part based on what Saddam Hussein would think.

Paul Gigot (BB) said there could be no debate while Americans are in harm's way (PBS Dec. 16) while Mark Shields said that Saddam Hussein had ran out his string. Senator Lott will be mute now. Later, Lott said he had been briefed by the administration (NBC De. 17) and stated: "I am going to take their word for it." John Dean, former Nixon White House Counsel, now an investment banker in Los Angeles, said that the assumption now is that the President is wrong.

Rep. Porter Goss (R-Florida) , House Intelligence Committee Chairman, said (CNN Dec. 16) that he had not been briefed: "Bringing Saddam Hussein to justice and dismantling his regime is what this is about." Goss (ABC News Dec. 17) will hold a hearing next month. Goss, a 1960 honors graduate from Yale, had a 10-year career as a Clandestine Services Officer with the CIA. He is a native of Waterbury, Connecticut.

Richard Haass, of the Brookings Institute, said (NBC Dec. 18): "There is no end game. The only thing that will end is American bombing. But when the bombing ends, Saddam will still be there, his army will still be there, his weapons of mass destruction will still be there."

Joseph Lieberman (CFR) (D-Conn.) supported (PBS Dec. 16) Clinton's actions "absolutely." It was made clear to Senators three weeks ago that if Richard Butler was frustrated, the U.S. would strike Iraq without delay or warning. He agreed that the timing was "disconcertingly awkward." Senator Lott's statement disappointed him. Radio Free Iraq is now in operation.

Peter Jennings (BB/CFR) noted (ABC Dec. 17) that Iraq was bigger than California. He said that Clinton was not getting the traditional support and was taken aback by the comments from Senator Lott and Dick Armey. He said a "lot of serious people here think there is a connection" (with impeachment).

John Forbes Kerry (S&B 1966) said that Clinton was doing the right thing (K-Eye News Dec. 16).

Brent Scowcroft (BB/CFR/TC), the co-author with former President George Bush (CFR/M/S&B1948/TC) of a new book, *A World Transformed*, said (CNN Dec. 16) that there had not been an adequate explanation of the Richard Butler report. He was asked if Clinton had the same standing that George Bush had in the prior Gulf War. His answer to Bernard Shaw was: "No." Up to now, he said, there had only been "pin-pricks" on Iraq, made to satisfy some domestic critics, rather than a serious policy of containment. He was asked when the perennial crisis would be ended and replied: "It will probably end with Saddam Hussein. And perhaps not, until then." Scowcroft, a retired Air Force Lt. General, was Vice-Chairman of Kissinger Associates, Inc., currently is the president of The Forum for International Policy and chairman of the board of the CSIS/Pacific Forum. He is also a director of QUALCOMM Incorporated. He was featured in the *New York Times* (February 4, 1998) in a debate on NATO article, along with Howard Baker, Jr. (CFR), Sam Nunn (BB) and Alton Frye (CFR).

Senator John Warner (PBS Dec. 16) said it was imperative to join together "to enforce the rule of law." He said England was "bravely participating" and that there was clear and convincing proof in the Butler report to the UN. Timing was an issue but now we must back our troops.

Mohammed Said Al-Sahaf, Iraq Foreign Minister, said (News Hour Dec. 17) that rather than "Operation Desert Fox," the operation should be called "Villians in the Arabian Desert."

Wednesday night (AP Dec. 17) Iraq, Russia and China called to an immediate halt to the attacks. Iraq's UN envoy, Nizar Hamdoon, said that the uproar over weapons of mass destruction was "nothing more than a big lie" like the claim that Iraq was a threat to its neighbors. He said that Richard Butler, the head of UNSCOM, had cited only five incidents in 300 inspection operations. In an almost unanimous resolution (Reuters Dec. 17), the lower house of the Russian Parliament, said that the U.S. and Britain were engaged in "international terrorism." Yeltsin said the strikes "crudely violated" the UN charter and should be halted immediately. Russia is furious (Reuters Dec. 18) that the U.S. bypassed the UN Security Council which gave it no chance to use its veto. Friday Russia's ambassador Yuli Vorontsov (Washington) and Yuri Fokin (London) were withdraw for consultations. Albright said that James Collins, the U.S. Ambassador to Russia, would not be recalled. Iraq owes Russia and France (NBC De. 17) some $15 billion.

The Vatican (Reuters Dec. 17) called the strikes "aggression." The Pope told envoys that "the right of each person and peoples to live in security . . . is more urgent than ever."

A billion Muslims begin the fasting month of Ramadan (AP Dec. 17) this weekend during which they abstain from food, drink, smoking and sex from dawn to dusk. The fast begins with the sighting of the crescent moon.

WALL STREET REACTION TO BOMBING AND IMPEACHMENT

Oil prices initially serged with news of the attack (NBR Dec. 16) with Crude Oil up $0.83 to $12.38. Douglas Bohi, oil analyst with Charles River Associates, said that Iraq exports about 2 million barrels a day. Crude oil than retreated (NBR Dec. 17) to $11.03 a barrel (down $1.35). Jeffrey Applegate, Market Strategist with Lehman Brothers, said the dollar will probably be boosted. He found it hard to foresee a vote of two-thirds of the Senate for impeachment. Charles Clough of Merrill Lynch said impeachment was no big deal although foreign investor concerns might hurt the dollar. Ronald Hill of Brown Brothers Harriman, said the impact of the President on the economy was small. Joseph Battipaglio of Gruntal & Co. said that Clinton's job rating was high. Thomas Galvin of Donaldson, Lufkin and Jenerette, said that Gore would most likely continue Clinton's economic policies. John Manley of Salomon Smith Barney indicated impeachment might end rumors of Robert Rubin (BB) resigning. Robert Doll, Chief Investment Officer for the $100 billion Oppenheimer Funds, said (NBR Dec. 17) that as President Gore would continue the same economic policies. He likes Compac and Gateway stocks. Alan Ackerman, Executive Vice-President of Fahnestock & Co., was interviewed by Paul Kangus (NBR Dec. 18). Ackerman stated: "(T)his country is strong, the economy is strong, transition teams are in place and the president is surrounded by very good people." His stock picks: Home Depo and Pepsico.

Donald B. Marron (CFR), Chairman and CEO of Painewebber, said (Moneyweek Dec. 11) that impeachment is a political rather than business issue. He does think that impeachment in the House may have an impact on the stock market. Marron is a Director of the Charles A. Dana Foundation.

Louis Rukeyser (Wall Street Week In Review Dec. 18) said that the Iraq attack had avoided oil fields and accused the press and media of a "hummingbird attention span." A preoccupied Congress, he said, might turn out to be a good thing. Gold is at a two-month low. His main guest was Jessica Reif Cohen, Entertainment Analyst with Merrill Lynch. She sees fewer films being made and likes Time Warner and Fox stocks. Cable will be the best net provider due to its continuous connectivity (no need to dial) and super-high transmission speeds. Two networks (CBS and NBC) are yet to be affiliated with a studio.

IMPEACHMENT THIS WEEK GATHERS GOBS OF ELITES

A PBS News Hour panel discussion on impeachment (Dec. 15) was led by Jim Lehrer (CFR). The three panelists were Tom Oliphant, of the *Boston Globe*, Norman Ornstein (CFR), of the American Enterprise Institute and Thomas Edward Mann (CFR), Director of the Governmental Studies program of the Brookings Institute. Ornstein is an election analyst for CBS News, a columnist for *Roll Call* and a senior advisor to the Times Mirror Center for the People and the Press. He has appeared on *Nightline*, *Today* and *Face the Nation*. According to the *National Journal*, he is an "icon of the press" and a sage "called on to deliver the final word." Ornstein and Mann are co-editors of the Brookings/American Enterprise Institute publication: *Intensive Care: How Congress Shapes Health Policy* (1995). They have also co-authored three other books.

The top three editors of *Time* (4.1 million subscribers), *Newsweek* (3.2 million subscribers) and *U.S. News and World Report* (2.2 million subscribers) were then interviewed, on their impeachment coverage, by Terrence Smith, PBS Media Correspondent: Mark Whitaker (CFR), of Newsweek, Walter Seff Isaacson (CFR), of Time and Stephen Grant Smith (CFR) of U.S. News. Isaacson is a graduate of Harvard and Oxford University. He co-authored *The Wise Men: Six Friends and The World They Made* and *Kissinger: A Biography*. Before becoming the Managing Editor of Time in January 1996, he was editor of New Media for Time Inc. (1993-1993) (developed the website Pathfinder).

Panelists discussing impeachment on *Washington Week In Review* (Dec. 18) included Thomas L. Friedman (BB/CFR/TC). Friedman saw three tracks: impeachment, the Iraq bombing and the global economy.

Robert Rubin (BB) has kept his distance (Moneyweek Dec. 11) and has not lobbied to stop the impeachment process. Jessie Jackson (CFR) held a prayer vigil (NBC News Dec. 14) for William J. Clinton (BB/CFR/RS/TC) on Thursday against "mean spirited leaders" who "want to ram a dagger through his heart." Robert "Bob" Dole (33rd M) proposed (News Hour PBS Dec. 15) a compromise for Clinton that would be a "blending of responsibility and justice" that was published in the *New York Times*. Senator Joseph I. Lieberman (CFR) (D-Conn.) stated (New Hour PBS Dec. 15) that if the House votes out an impeachment article, the Senate rules clearly required it to be taken up. A majority of the Senate will then decide what happens next. He said the rules also allow a motion to adjourn. A motion to dismiss would also be up to the majority. Barbara Streisand (PBS Dec. 16) said that Clinton was "acclaimed as a peacemaker around the world" as actor Jack Nicholson joined in an anti-impeachment Los Angeles rally. Gore seeks a resolution that is "quick and fair."

Margaret Warner did a PBS interview on impeachment (News Hour Dec. 17) that included Rep. Lee Herbert Hamilton (CFR/TC) (D-Indiana) and Rep. Jim Leach (CFR/TC) (R-Iowa). Hamilton thought the impeachment debate could wait and that harsh criticism would weaken the President. The criticism of the President was unprecedented. Leach said that Congress had the duty to go forward. He said the motivation of Clinton "should not be questioned." Rep. Marty Meehan (D-Mass.) said we could afford to wait and that going ahead with impeachment would send the wrong message to Saddam and the troops. He spoke of a majority of the U.S. Senate questioning the President. Rep. Bill McCollum (R-Florida) was introduced by Warner as the representative who said that Congress could dance and chew bubble gum at the same time. McCollum said he was against delay and there was no end in sight for the bombings.

William Kristol (CFR) said (ABC News Dec. 17) that impeachment must go on despite the bombing. The Bob Livingston marital indiscretions were scooped by *Roll Call* writer Jim Vande Hei who told Lou Dobbs (Moneyline Dec. 17) that H*ustler Magazine* and several other new organizations had been looking into the new Speaker's past sex life. Frank Sesno (CFR) and John A. King, Jr. (CFR) reported on the Livingston story for CNN (Moneyline Dec. 17). Lou Dobbs said the same thing had been done with Henry Hyde (CFR). Sesno broke into Dobb's coverage with a quote that showed that Livingston was still planning to go full-speed ahead

with impeachment. The House voted by 415 to 5 in favor of the troops. Those accused of infidelity in the House so far: Livingston, Hyde, Burton and Chenoweth. Larry Flynt (NBC News Dec. 18) has been running an ad offering up to $1 million which asks: "Have you had an adulterous sexual encounter with a current member of the United States Congress or a high ranking government official?" He said: "Believe me, there's more people than that to come yet. There's about a dozen of them that are going to bite the dust on this issue." Rep. Maxine Water (D-California) stated (NBC News Dec. 18): "The hypocrisy that is demonstrated by my friends on the other side of the aisle is absolutely stunning." Kenneth M. Duberstein (CFR), former Ronald Reagan chief-of-staff, described the Washington scene (NBC News Dec. 18): "Washington really is not the streets of Beirut anymore. It's really reminiscent of Vietnam after a napalm bomb attack. It's scorched earth."

Henry Hyde stated (NBC Dec. 18): "No man or woman, no matter how gifted a manipulator of opinion, or winner of votes, can be above the law." One of the two Republicans against impeachment was Peter King (R-New York). Rep. John Conyers, Jr. (D-Mich.) said: "Now I'm personally outraged that we would decapitate the commander-in-chief at the time that we are at war abroad." Charles B. Rangel (CFR/TC) (D-New York said (NBC News Dec. 18): "This procedure is not on the level." He asked: "What has the President done to cause so much hatred, so much animosity?"

NEW REPUBLIC ECHOES FEMA'S STERN MESSAGE AND SAYS U.S. POLICY SHOULD CANCEL ALL OFFICIAL DEBTS OWED BY HONDURAS AND NICARAGUA

An editorial in the *New Republic* (Dec. 7) agreed with FEMA head, James Lee Witt, and stated: "No longer will the federal government underwrite people's stubborn refusal to bend to the will of Mother Nature." The outraged editorial also said that IMF chief Michel Camdessus issued no call for debt forgiveness but said in essence that Honduras and Nicaragua would eventually have to pay them.

WORLD BANK AND IMF COLLIDE BUT VERY POLITELY

The latest World Bank 186-page annual report, without naming names, hinted that the IMF and U.S. Treasury may have paid more attention to interest rates than unemployment. The dispute between the World Bank and the IMF (U.S. News Dec. 14) goes back to the crisis in Asia in the summer of 1997, according to Gary Clyde Hufbauer (CFR), Senior Fellow at the Institute for International Economics in Washington. Merrell Tuck said the difference between the World Bank and the IMF was like a physical therapist and a battlefield surgeon. Haubauer has stated that the anti-dumping laws are being used selectively (Investor's Business Daily Dec. 14). He also said that if states can set their own trade policies it could wreak havoc with the world trade system.

FOR POORER BUT NOT RICHER COUNTRIES DEBT RELIEF IS NEEDED

Zambia's Archbishop Medardo Mazombwe stated (National Catholic Reporter Nov. 13) : "We are slaves of debt. My country spends more money on debt than schools, health, water and sewer combined." He participated in the October 22-23 meeting on the ethical dimensions of international debt held at Seton Hall University. The meeting "was the culmination of nearly two years of work, sparked by a request from Pope John Paul II to the U.S. bishops to convene such a meeting." James Wolfensohn (BB/CFR), President of the World Bank, said that developing countries should lobby the lenders of wealthy countries who have dramatically cut foreign aid in recent years. Two years ago an initiative was launched by the IMF. World Bank and major creditor nations. It is called the "Heavily Indebted Poor Countries Initiative." No existing organization appears to exist to lobby for relief of taxpayers in "Rich" Countries. Wolfensohn said that the heavily indebted poor countries owe $215 billion out of the overall total global debt that is now at $2 trillion. Poor country relief advocates say they will only need

a small tax hike in the developed nations to make one billion people free from international bankers.

MORE FOREST LAND BOUGHT BY ENVIRONMENTALISTS

The 900,000-member Nature Conservancy has purchased almost 1% of the state of Maine (286 square miles or 185,000 acres) from a paper company (AP Dec. 15) for $35.1 million and promises to keep the unbroken forest open for recreation. The buy comes as nearly 15% of the state's land has been sold off in the last three months to mostly timber and paper companies.

UN-COVERED ECO-TERRORISM CRIMES ON THE RISE

During this decade the number of incidents of eco-terrorism has risen greatly. Barry Clausen, of North American Research, claims there have been 1,500 eco-attacks in the past decade. For the past two or three years (New American Dec. 7) the number has been about 300 each year, compared to only six in 1986.

OLYMPIC COMMITTEE SCANDAL FOCUSES ON SALT LAKE

Three years ago Utah won the right (NBC News Dec. 14) to host the Winter Olympics in 2002. This was the result of a secret vote of the International Olympic Committee. Mark Hodler, a member of the IOC, alleged that payments of up to $5 million were made to bring this about. Salt Lake 2002 spend $393,871 on 13 individuals, 6 of whom were direct relatives of IOC members. Frank Joklik, of the Salt Lake Organizing Committee, apologized for the scandal which has (ABC News Dec. 13) shaken the committee to its "over-privileged core." The DOJ (AP Dec. 17) may investigate allegations of bribery. The investigation (AP Dec. 19) has now been turned over to a 5-member independent ethics panel whose report is due on February 11.

MERGERS ON THE MOVE INCLUDE BRITISH AND GERMAN BUYS

The British London-based publisher, Emap PLC, is paying $1.2 billion in cash for The Petersen Companies, Inc which publishes Motor Trend, Teen, Sport and other speciality magazines (AP Dec. 15). The deal will bring its total to nearly 360 magazine titles with revenues of $1.5 billion. In a second U.S. UK purchase this week, National Grid is paying $3.2 billion for the New England Electric System (Moneyline Dec. 14). The world's biggest book publisher will soon be German-owned. The pending Bertelsmann/ Random House deal is expected to cost $1.2 billion (Newsweek Dec. 7).

Mattel is paying almost $4 billion (NBR Dec. 14) for The Learning Company. Hughes Electronics, a subsidiary of GM, is buying U.S. Satellite Broadcasting for $1.3 billion in cash and stock.

DaimlerChrysler may get a stake (AP Dec. 17) in Japan's debt-laden Nissan Motor Co.

MASSIVE CANADIAN BANKING MERGER BLOCKED BY FORMER CORPORATE EXECUTIVE-TURNED FINANCE MINISTER

Canada's Finance Minister, Paul Martin, a former corporation executive, Monday (AP Dec. 14) rejected a merger of two banks that together would have controlled 70% ($623 billion) of the banking assets in the country. The proposed marriages would have wed Royal Bank of Canada (#1) with the Bank of Montreal (#3) and Canadian Imperial Bank of Commerce (#2) with Toronto-Dominion Bank (#5). Martin is the front-runner to replace Jean Chretien as prime minister.

ROYAL DUTCH SHELL TO SHELL OUT FOR CHEVRON?

Royal Dutch Shell (AP Dec. 14) is selling off 40% of its chemical business and announced its fourth-quarter earnings would be off by $4.5 billion. It expects $2.5 billion in cost savings by the year 2001. The world's largest oil company has a $11 billion global spending program. The revenues of the Hague-based Royal Dutch Shell company (Houston Business Journal Dec. 11-17) in 1997 were $128 billion with $160 billion in market capitalization. It has 105,000 employees (9,300 in Houston). Chevron had revenues of $45.8 billion with $56 billion in market capitalization. The San Francisco-based oil company employs 39,000 (2,770 in Houston). Royal Dutch is the parent of Houston-based Shell Oil Company. The chairman of its managing directors it Mark Moody Stuart. Jack Little is the CEO of Shell Oil Co. If Royal Dutch and Chevron combine it will control a 30% market share in the U.S. downstream market. If the Exxon merger with Mobil goes through it will take the place of Royal Dutch as the largest oil company in the world. Chevron (Moneyline Dec. 14) will cut $500 million in costs.

CNN MONEYLINE'S MYRON KANDEL HITS AT CORPORATE JOB CUTS

Myron Kandel, in a rare outrage at business, said that both Citigroup and Chevron buried the news of layoffs. In the Citigroup press release, the job cuts were mentioned in the next-to-last paragraph. Chevron never mentioned any numbers. Kandel said that three or four years ago stocks rose when corporations announced job cuts. When Citigroup spend 900 words before mentioning that 10,000 people would lose their jobs, Kandel asked: "What does that say about priorities?" The (New Hour PBS Dec. 15) Citigroup cuts will impact 6% of its global workforce.

Citigroup will take a $1 billion charge and layoff 8,000 employees to save $1 billion (Moneyline Dec. 14). RJR Nabisco, the second largest U.S. cigarette maker, is cutting 15% of its workforce after the $0.45 a pack increase. RJR International (Moneyline Dec. 14) will lay off 2,900 workers in Russia. When Citibank and Travelers got married last April, the message was growth, not job-cutting. Sandy Weill stated on April 6 (Moneyline Dec. 14): "I think there will be more addititives over time, rather than contraction." Citigroup said it was short-term pain for long-term gain.

Ted C. Fishman wrote that Citigroup, for the first time in more than sixty years (Harpers Dec.), "will combine a banking division protected by the (taxpayer-backed) FDIC with a major securities firm, vulnerable to huge losses." He further noted that: "It also creates an institution so large and powerful that its failure would destabilize the world financial system. In effect this means that not only are depositors guaranteed; the entire institution is." The Citicorp-Travelers bill passed by one vote last session but was stalled in the Senate. James A. McDermott (CFR), President of Keefe, Bruyotto & Woods, is recommending Citigroup stock (NBR Dec. 15) which will pan out over time. He likes BankOne in Columbus, Ohio, First Union in Charlotte, N.C., Mellon Bank in Pittsburg, Northfork Bank Corp in the New York area, Chase and Citigroup.

SOROS SAYS INTERNATIONAL REGULATION AND INSURANCE NEEDED

At one point in 1994, more than half of the flow into U.S. mutual funds (Newsweek Dec. 7) went into emerging market funds. According to CFR Director, George Soros (BB/CFR), the collapse in Russia and Indonesia was "unintended," but "Malaysia shut itself off from international capital markets deliberately." Soros says the choice is international regulation of global markets or leaving each state to protect itself. He proposed an International Credit Insurance Corporation in the *Financial Times* (Dec. 31, 1997). Soros suggests imposing margin requirements and hair-cuts (capital requirements) on derivative and swap transactions and other off-balance sheet items to solve the hedge fund problem. He favors subordinating the sovereignty of states to international law and institutions "insofar as there are collective interests that transcend state boundaries . . . "

Malaysia Prime Minister Mahathir Mohamad (AP Dec. 19) is carrying out a long-term plan, called Vision 2020, to join the ranks of rich and industrialized nations by the year 2020.

LUGAR CALLS FOR MORE HEDGE FUND INFORMATION FOR REGULATORS

In the late 1960s about $2 billion was invested (NY Review of Books Dec. 17) in hedge funds. Today the figure is around $300 billion. There is a $17 trillion global pool of money (Time Dec. 14) belonging to "high-net-worth individuals" that generates more than $150 billion a year in banking revenue. Senator Richard Lugar (RS) wants (NBR Dec. 16) hedge funds and financial managers to provide more information to regulators. He also wants more prudent oversight by lenders although hedge funds may move off-shore. More hearings will be held by Lugar next spring.

THE EURO: BACKGROUND ON THE NEW CURRENCY FOR EUROPE

The European Union (Business Unusual CNN Dec. 12) has one-fifth of the production of the world's goods and services and more customers than the United States. On January 1, 2002 Euro notes and coins become the legal currency of Europe. The European Central Bank will control monetary policy. Twelve and eleven-year-old children are being shown films showing why one currency is better than eleven. The early name for the Euro was "ECU" but the Germans thought it sounded too French. A later name was "Euro-Mark" but the French thought that sounded too German.

11 countries (AP Dec. 19) will use the euro (Austria, Belgium, Finland, France, Germany, Ireland, Italy, Luxemborg, the Netherlands, Portugal and Spain) while Britain, Denmark, Greece (non-qualifying) and Sweden retain sovereign currencies. The euro will be worth between $1.10 and $1.20 initially. Stock will trade in euros. The new currency bloc has 290 million inhabitants.

The euro (Christian Science Monitor Dec. 12) "opens a large opportunity to replace cash." Armand Linkens, the managing director of Proton World in Brussels, was quoted: "If we are ready," the euro could be a gigantic "kick for electronic purses." Proton is a leading manufacturer of electronic-cash cards. The UK (Tony Blair) , Germany (Gerhard Schroder) , France (Lionel Jospin) and Italy (Massimo D'Alema) (Financial Times Dec. 12-13) are led by politicians who belong to the left. Captain Euro (Wall Street Journal Dec. 14) is being used to teach European children about the new money.

The President of the European Central Bank, Wim Duisenberg, told *Die Zeit* in an interview (AP Dec. 15) that further cuts in interest rates may follow the debut of the euro on January 1, 1999. Uri Daduch, chief economist for the World Bank, stated (Business Week Dec. 21) that only prime borrowers "are getting any money" and "only at spreads that are two or three times higher than they were." The spreads between Treasuries and high-risk bonds now are almost at the same level as at the heighth of the recent liquidity scare. 5-year Treasuries from three months ago are trading at 10 basis points higher than the most recent issues.

The European Central Bank has its independence enshrined in the Maastricht Treaty which says the bank must not "take or seek instructions" from national governments (The European Nov. 30-Dec. 6). This is in contrast to both the German and U.S. central banks that are both creatures of statutes that can be amended. Wim Duisenberg, a socialist politician in the 1970s, is president of the ECB for now but will be replaced midway through his term by the governor of the Bank of France, Jean-Calude Trichner. France and German account for well over half of the GDP in Euroland. The ECB does its operations behind closed doors and its minutes will remain unpublished for years. On his trip to South Korea, Clinton hinted at a new world economic order aimed at growth.

Germany will take over the rotating EU presidency (DW TV Dec. 15) in March. Gerhard Schroder is more nationalist than the preceding German Chancellor and wants to radically reduce Germany's EU contributions. His position is opposed by Spain which says that if Germany pays less, the needier countries will receive less. Joschka Fischer, Germany's

Foreign Minister, said: "We know we are net contributors and will remain net contributors. That is a consequence of our country's strength." About 17 million (just under 10%) of Europeans are now unemployed. Schroder, a cigar smoker, said: "(E)urope must concentrate whatever resources it has on the issue of employment." Germany (NBR Dec. 18) is cutting social security contributions (taxes) and increasing taxes on heating oil and gasoline.

Poland (DW TV Dec. 15), in line now for EU membership soon, has set up a low-tax foreign investment zone at the same time that some 145,000 coal jobs and 40,000 steel are being phased out or privatized. GM is one of the largest beneficiaries and has created some 3,000 jobs.

Irvin Raskin Levine (CFR), Dean of International Studies at Lynn University, said that the euro will mostly be good news for American businesses (NBR Dec. 15). It will reduce the number of currencies and therefore reduce company costs. Some U.S. banks will have to pay for the expense of new software, however. He ended his tribute to the euro by saying that tourists will be deprived of exotic bills and coins: "A more homogenized world, is that what we really want?"

VENEZUELA IN THE NEWS THIS WEEK: NEW PRESIDENT SPEAKS OUT

Venezuela is facing a $5 billion budget shortfall next year (Business Week Dec. 21). Its currency may be overvalued by as much as 40%. Hugo Chavez, its new past coup- attempting president, is talking about halting privatization, hiking wages, cracking down on corruption and providing agricultural subsidies. About 80% of the people in Venezuela (Christian Science Monitor Dec. 9) are considered poor. Chavez said that: "The Constitution was written to include the privileges of the political parties and to make the system as impervious to change as possible . . . " He quoted Simon Bolivar: "I am but a blade of grass blowing in a great hurricane of revolution. I am this, nothing more. I am a grain of sand. I am a drop of water in a running river."

BRAZIL IN THE NEWS THIS WEEK: CAPITAL FLIGHT DESPITE 30% INTEREST

The rebuff of Cardoso's proposal to increase the social security taxes of some state workers in Brazil (Business Week Dec. 21) "has left a very bad taste in everybody's mouth," according to Walter Stoeppelwerth, director of Latin America research for Robert Fleming Securities in Sao Paulo. Capital continues to flow out of Brazil (Business Week Dec. 21) despite real interest rates as high as 30%. A key part of the Brazilian recovery plan (Moneyline Dec. 14) is a tax on international transactions. For the year-to-date, the Brazilian stock market is down 35%, Mexico down 26% and Argentina and Venezuela down 40% (Moneyline Dec. 14). In the past 12 months foreign direct investment in Brazil (Business Week Dec. 21) was $24 billion and is predicted to total $17 billion in 1999. Unemployment, now 8%, may increase to 12% in 1999.

MAI AGREEMENT SAID TO BE ON THE ROCKS

The Multilateral Agreement on Investment (MAI) has collapsed (Spotlight Newsletter 6). The Organization for Economic Cooperation and Development (OECD) said on December 4 that negotiations "are no longer taking place." International business leaders, however, have pledged to keep pushing for some investment agreement. Williard Workman, International VP for the U.S. Chamber of Commerce stated: "There's still a need out there to have agreed-upon rules governing investment overseas."

GENERAL ECONOMIC NEWS AND NUMBERS

Housing starts (NBR Dec. 16) were down 2.7% last month. The M-2 money supply (NBR Dec. 17) was up $19 billion through December 7. The October trade deficit was $14.2 billion (News

Hour Dec. 17), down 1.2%. A big rise in farm exports caused the small drop in the deficit. New jobless benefit claims tumbled by 31,000. Gold (Feb.) was at $292.90 (-$3.60) (NBR Dec. 17). Commodity prices are still down (NBR Dec. 17).

MARKET SUFFERING FROM EARNINGS JITTERS

Stocks fell from 9374.27 on November 23 to 8695.60 on Dec. 14 (NBR Dec. 14). This was an 8% decline of the DJIA (700 points) blamed on "earnings jitters." The DJIA serged 2,000 points in seven weeks. On Friday the DJIA ended up 81.87 points for the week (NBC News Dec. 18) at 8903.63. Louise Yamada, Technical Analyst with Salomon Smith Barney, said it was a consolidation, not a bear market. Liz Ann Sonders, Managing Director of Avatar Associates, who manages $3 billion, said the market was suffering from "whiplash." Avatar has 78% in stock and 22% in cash (NBR Dec. 14). Sonders said the Fed will wait until later to cut interest rates further. She likes Microsoft, Lucent Technologies, Intel, First Star and Painewebber stocks.

TOP-PERFORMING MUTUAL FUNDS

Top Mutual Funds Year-to-Date include (Moneyweek Dec. 11): Fidelity Magellan (+22.9%), Vanguard Index (+21.7%), Fidelity Growth & Income (+20.9%), Invest. Co. America (+17.3%) and Washington Mutual (+15.1%).

INTERNET BUSINESS FAR EXCEEDING PREVIOUS ESTIMATES

James Cash, Professor of Business Administration at Harvard, said (NBR Dec. 17) that in July of 1997 the Forrester Group predicted $327 million in internet business trade by 2002. The estimate has since been raised to $43 billion in 1998 and $1.3 trillion for 2003.

BULLISH STOCK PICKS

It's time to buy, according to Tom Galvin, of Donaldson, Lufkin and Jenerette (Moneyline Dec. 14): "(W)henever the nattering nabobs of negativity become pervasive, its always time to lock and load on stocks, not a time to run for the exits." In another interview (NBR Dec. 14) he said that most people don't want President Clinton "taken out." He was also a preliminary guest on *Wall Street Week* Dec. 11. Fritz Reynolds, President of Reynolds Mutual Funds was the featured guest. He is averaging 40% returns. His picks for core holdings: Microsoft, Intel, Cisco Systems, Dell, Compac, Lucent Technology, AOL and Yahoo (to some degree).

GENERAL ELECTRIC LOOKING TO DOUBLE-DIGIT GROWTH IN 1999

John "Jack" Welch (CFR) predicts double-digit growth in 1999 (Moneyline Dec. 14) for General Electric. He said 70% of G.E. businesses were booked through 2000. Welch sees bargains in Asian financial companies and says G.E. will spend even more than the $18 billion it spent in Europe in Asia. The front-runners (Business Week Dec. 21) to replace Welch, when he retires, are David Calhoun, David Cote, Jeffrey Immelt and James McNerney, Jr. GE Capital contributed $300 million to General Electric in 1986. Now its contribution to the GE corporate coffers is $4 billion annually.

THIRD PART OF TIME SERIES HITS TAX BREAKS WITH VERY FEW REAL RESULTING JOBS

Louisiana, according to Time Magazine (Nov. 23), canceled $213 million in property taxes owed by Exxon Corp., $140 million in taxes for Shell Oil Co., $103 million in taxes for International Paper Company and $96 million in taxes for Dow Chemical Co. A Louisiana official said companies practice a form of "extortion" by demanding tax breaks yet give very little back in return. The average number of new jobs for each $1 million in abatements is one or two. Time

called the Fanjul family of Florida, which owns one of the nation's largest producers (Flo-Sun Inc.) of raw sugar, the "First Family of Corporate Welfare." U.S. sugar sells for more than double the price the rest of the world pays. Alfonso Fanjul served as co-chairman of Bill Clinton's 1992 Florida campaign. His brother Pepe was national vice-chairman of finance for Bob Dole's 1996 presidential campaign

TOP HARVARD MONEY MANAGEMENT EXECUTIVES EARN MILLIONS

The top six executives of the Harvard Management Co. (AP Dec. 17) made combined salaries of more than $45 million last year. The Harvard-owned company has over $16 billion in nine different asset classes. Annual growth for the three years ending on June 30 was 24.1%. The part managed by Jonathan Jacobson earned 42.7% a year. The DJIA averaged 25% over the same three years. The Harvard million-earners included David Mittelman ($9.8 million), Philip Gross ($9.7 million), Robert Atchinson ($7.9 million), Maurice Samuels ($6 million and Jack Meyer, Harvard Management President ($1.8 million).

DIPLOMAT/INVESTMENT BANKER HOLBROOKE RETURNS TO SERBIA

U.S. Envoy Richard Holbrooke (BB/CFR/TC) was back in Serbia (AP Dec. 15). The mission (CNN Dec. 14) in Belgrade Tuesday was to insist that Yugoslavia comply with the UN Resolutions on Kosovo. The UN also wants three war crimes suspects to be turned over. Holbrooke said that the latest bloodshed "will not in any way deter the international community from carrying out its obligations" to work for peace in the troubled province. He met with William N. Walker (CFR), head of the Kosovo Verification Mission. Walker leads the Organization for Security and Cooperation in Europe team. Holbrooke, on October 12th, brokered the agreement to end fighting in Kosovo. Its terms were strongly criticized as "too vague" by Zbigniew Brzezinski (BB/CFR/TC) on CNN's Crossfire. Holbrooke called for restraint (CNN Dec. 14) on both sides and said he had just got off the phone with Secretary of State Albright (CFR/TC).

TURNER COLD WAR SERIES PROVIDED ELITE FOOTAGE LAST WEEK

The CNN Cold War program, "Vietnam 1954-1968," featured (CNN Dec. 11) General Andrew Jackson Goodpaster (BB/CFR), an aide to Eisenhower, Robert S. McNamara (BB/CFR/TC), Roger Hilsman, Assistant Secretary, U.S. State Department and Clark Clifford, Secretary of Defense.

General Andrew Jackson Goodpaster (BB/CFR) served as chairman of the George C. Marshall Foundation and was Chairman of the Atlantic Council of the United States.

Roger Hilsman (CFR) spoke on "After the Cold War: The Need for Intelligence" at the Brookings Institution on April 24, 1998. He was unable to think of one covert operation that had been successful. He has authored *System Complexity in Political and Social Life* (1996) and will soon publish *The Cuban Missile Crisis: The Struggle Over Policy*.

Clark Clifford, once described as "the silver-haired Brahmin of the nation's political establishment," died at 91 on October 10, 1998. In his last years he faced charges of fraud, conspiracy and taking bribes in the collapse of the Bank of Credit and Commerce International. Earlier in 1998, Clifford and Robert A. Altman, his law partner, made a $5 million settlement with the Federal Reserve Board. Altman was acquitted in 1993 in New York state court of charges of bank fraud; indictments against Clifford were set aside because of his poor health.

ELITES IN GEORGE'S 50 POWER LIST

The just-issued George Power 50 list included: Samuel "Sandy" R. Berger (CFR) (+2), Bill Clinton (BB/CFR/RS/TC) (+3), William Cohen (CFR/TC) (+1), Richard Gephardt (CFR) (+3), Newt

Gingrich (CFR) (+3), Al Gore (CFR/M) (+2), Alan Greenspan (CFR/TC) (+3), Henry Hyde (CFR) (+1), Jessie Jackson (CFR) (+1), Joeseph I. Lieberman (CFR)(+1), Robert Rubin (BB) (+3), Madeline Albright (CFR/TC)(-1), Daniel Farrell Burton, Jr. (CFR) (-3), Vernon Jordan (BB/CFR/TC) (+2), James David Wolfensohn (BB/CFR) (+2), William Kristol (BB) (+1) and R. Emett Tyrell, Jr. (CFR) (-1). The plus or minus power ratings (thumbs up or down) were assigned by the magazine.

CFR FLAGSHIP MAGAZINE CARRIES PRO-INTERNATIONAL CRIMINAL COURT ARTICLE

Ruth N. Glushien Wedgewood (CFR), a Yale Law Professor and Senior Fellow at the CFR, lamented (New American Dec. 7) the failure of the Clinton administration to sign the ICC statute in Rome in July. The article in the November-December issue of the CFR's *Foreign Affairs*, claimed that an opportunity to shape the court in America's image was lost. Theodor Meron (CFR) stated in the *Washington Post* (Oct. 13) that non-parties to the proposed treaty would have more obligations than party states. The latter are able to opt out of provisions dealing with war crimes and crimes that will be added to the court's jurisdiction in the future. Non-parties may not.

RULING AGAINST IMMUNITY TO BE REVIEWED BY LAW LORDS

On Thursday the highest court of Britain (Reuters Dec. 17) overturned its ruling that Augusto Pinochet was not immune from prosecution. Lord Browne-Wilkinson, who presided over the appeal, said that Lord Hoffman was disqualified from sitting in the case. A fresh panel of judges will rehear the case in January.

YELTSIN UPDATE: WILL CONTINUE REFORMS

Boris Yeltsin (Reuters Dec. 15) said Tuesday that reforms will continue as he prepared to meet with visiting Swiss President Flavio Cotti and Belarus President Alexander Lukashenko. Later on Tuesday he was shown meeting with FSB head Vladimir Putin who is investigating the multiple-shooting of parliamentary deputy Galina Starovoitova. KGB (now FSB) investigator Viktor Cherkessov has been assigned by authorities in Saint Petersburg to investigate the case. Sergei Slexeyer, a spokesman for Starovoitova's Democratic Russia Party, stated (New American Dec. 21): "If Cherkesov's been brought into the case, you can consider it buried."

RUSSIAN PARLIAMENT GIVES O.K. TO PRINT A BILLION RUBLES

On Wednesday, with inflation running at about 70%, the Russian parliament (AP Dec. 16) unanimously approved a bill to allow the printing of $1.2 billion in rubles for the last quarter of 1998. Exporters will be required to repatriate 75% of their hard-currency earnings (up from the former 50%) to shore up foreign currency reserves. Finance Minister Mikhail Zadornov said that a deal had been reached with lenders to reissue $10 billion dollars in bonds with maturities of four to five years. Deutche Bank and Credit Suisse-First Boston denied that such terms had been reached. The Russian value-added tax is 20%; the profits tax is 35%. A bill was passed (AP Dec. 18), on first reading, to cut the value-added tax to 15% in March and 10% in 2000. The profit tax was cut to 30%. The sales tax on alcohol and gasoline was increased. The inflation rate is 73.4% (up from 5%) with a ruble trading at 20.75 a dollar (compared to 6 to the dollar in August). Unpaid wages (AP Dec. 17) to state workers total $4.1 billion (up from $3.9 billion When Primakov took office in September). $650 million in rubles was printed in October and November. In Russia, where the average teacher is paid less than $25 a month, the total owed to the teachers is $720 million. On December 11, Russia's gold and currency reserves were $12 billion.

FOREIGN-OWNED BANKING SERVICES MAY BE OFFERED TO ENTICE RUSSIANS TO UNLOAD THEIR HIDDEN HARD CURRENCY

Moscow may take out loans with private western banks (Business Week Dec. 21) collateralized by the government's gold. In the August banking crash, the average Russian lost about $2 billion (Christian Science Monitor Dec. 9). Estimates of between $40-$60 billion in so-called hard currency is reportedly held by the "oft-deceived population" in mattresses, floorboards or buried in kitchen gardens. The Russian economy may (Business Week Dec. 21) contract by 5% to 7% next year. Russia has asked the London Economic Club to accept $360 million worth of principal payments, due on December 2, in long-term bonds, rather than cash. The grace period before technical default will end on December 23.

Prime Minister Primakov is lately talking about removing the restrictions that presently bar foreign-owned banks from providing deposits and loans to private individuals. Vevgeny Vittenber, an expert with Moscow-based Intelbridge, was quoted: "As things stand no one is going to trust a Russian bank, or the government for that matter, for the next three generations." In early 1991 high-denomination banks notes were eliminated as an "anti-black market" measure. In 1992 hyperinflation wiped out most Russian bank savings. Sam Houston of Texas wrote to Andrew Jackson on January 31, 1843: "To you, General, I find myself indebted for many principles which I have never abandoned through life. One is a holy love of country and a willingness to make every sacrifice to its honor and safety. Next a sacred regard for its constitution and laws, with an eternal hostility and opposition to banks."

NEWSWEEK PRINTS EXCLUSIVE RUSSIAN INTERVIEWS WITH MOSCOW MAYOR LUZHKOV AND GENERAL LEBED

Moscow Mayor Yuri Luzhkov (Newsweek Dec. 14) is "not left or right." He says the supposedly leftist government "is adopting a rightest tax code." Russia is not yet selling land. On the largely missing IMF aid to Russia, he stated: "I don't think it *all* went through dirty hands back to western banks." Aleksandr Lebed, who has increased the collection of taxes in Krasnoyarsk threefold, said: "The majority of Russians are convinced that since the U.S. failed to win the cold war, it conducted an economic diversion and robbed our country." He also stated that 84% of all the country's banking assets are in Moscow "and the rest of the country suffers from a lack of blood supply."

COMMUNIST MEMBER OF PARLIAMENT CLAIMS THAT YELTSIN'S INNER CIRCLE IS JEWISH

Viktor Ilyukhin, the Russian Communist head of parliament's security affairs committee, Tuesday accused Yeltsin and Jews in his office of waging "genocide" against the Russian people (AP Dec. 15). Ilyukhin told a panel considering impeachment: "The large-scale genocide wouldn't have been possible if Yeltsin's inner circle had consisted of the main ethnic groups, and not exclusively of one group, the Jews." This outburst came after last month's move to bring back the statue of Felix Dzerzhinsky, former head of the Soviet secret police, that was toppled in 1991. After the session on Tuesday, Ilyukhin told journalists: "Representatives of one ethnic group have been dominant in the president's inner circle and the government during the past seven years. I have already named this ethnic group." In October, Albert Makashove, another Communist lawmaker, made an anti-Jewish ethnic slur which went uncensored.

On Wednesday (AP Dec. 16th) Boris Berezovsky, a Jewish business tycoon, called for a ban on the Communist Party and said that, if needed, force should be used to prevent Russian law-makers from making anti-Semitic remarks. James P. Rubin (CFR) stated for the U.S. State Department: "We join with Russian leaders in condemning these outrageous anti-Semitic statements." The issue, said Rubin, had been raised when Vice-President Gore (CFR/M) and Madeleine Albright (CFR/TC) recently met with Russian officials. Ilyukhin responded on Wednesday: "What kind of democracy is it when a Russian man can't speak the truth?" Yeltsin, briefly, in the early 1990s did ban the Communist Party before it returned as the largest faction in Russia's lower house.

VATICAN OFFICIAL CRITICIZES JEWS FOR INJURIES TO CHURCH

Jesuit Fr. Kurt-Peter Gumpel (National Catholic Reporter Dec. 11) said in an interview with the Vienna-based *Der Standard*, which appeared November 23, that: "It is a historical fact that many of the Bolsheviks who persecuted the Catholic church as well as the orthodox church in Russia were Jews. That is the simple truth." He further stated: "If you've read the Talmud, as I have, you know that it says the most hateful things about Jesus and Our Lady, suggesting that she was a public woman, an adulteress." Gerhard Bodendorfer, the head of the coordinating body for Christian-Jewish cooperation in Austria, said: "I am amazed that an official collaborator in a highly responsible Vatican position could hold these old, obviously undistilled prejudices that are still hawked today." Gumpel, who is Jewish, said the Communist Manifesto had Jewish origins and that 80% of the original (1917) Soviet regime was Jewish.

PRIME MINISTER NETANYAHU WANTS PALESTINIANS TO TEACH THEIR CHILDREN THAT ISRAEL IS HERE TO STAY

Benjamin Netanyahu accused the Palestinians of not honoring their promises (Fox News Dec. 13): "The Palestinians, especially in the last month, have basically reneged on all the promises they gave us . . . " He detailed what is expected of them: "(W)e have all these outstanding things they are supposed to do: collect illegal weapons, reduce the size of their armed forces and especially stop the fomenting of violence." The close relationship to the U.S. was described: "The United States and Israel are kindred spirits. We're sister democracies and we have so much in common in our values and approach to society and life. And obviously the United States is our great ally."

Netanyahu gave his vision of the future, which includes education: "We want to see the Palestinian leadership do something that they haven't done really since this conflict between us and the Palestinians erupted in the 1920s. For the first time after nearly eighty years of conflict, I want them to unmistakeably stand up and stop the campaign against Israel. Not only be tearing up that covenant, which I hope they will do tommorrow, but by backing it up with a forceful action against those who would destroy Israel, the terrorist organization, the terrorist infrastructure, to collect those illegal weapons, and to tell their kids, in their educational system, in their schools, Israel is here to stay. We'll make peace with Israel, not because it is strong, not because it will fight to defend itself, but because it is right. Because in the small space between the Jordan River and the sea, this tiny land, there are two peoples who will have to learn to live side-by-side. And when I see that happen, then I will know that we have peace . . . I said to the President today, you know when there's real peace here? When Israelis can walk into Gaza. Right now it's virtually a death sentence. No Israeli is doing it for fear of their lives. But Palestinians walk freely on the streets of Israel . . . I would like to see a change of heart brought about by a change in conduct of the Palestinian leadership that teaches their people that peace is not ephermeral, it is not a tactical thing, that you sign in order to get things from Israel so you can attack Israel at a later date. Peace is peace and it's here to stay. That's what I want to see and that's what I dream about. That's what I am working for."

In a three-way "trilateral" summit (Reuters Dec. 15), President Clinton was unable to convince Netanyahu to withdraw on schedule from more of the West Bank. He said: "I have achieved what I came here to achieve." The Israeli Prime Minister stated (CNN Dec. 14): "I think the Americans are wise enough to understand that no amount of pressure can force Israel to relinquish its capital, Jerusalem, that no amount of pressure will force us to release terrorist murderers . . . " Netanyahu's office published a "breach list" of 12 violations or unfulfilled commitments which included not declaring an independent state unilaterally, accepting Israel's criteria for the release of prisoners, confiscation of illegal weapons, cutting the size of the Palestinian police force, clamping down on anti-Israel incitement and curbing of violence. Tuesday a joint steering committee met in Jerusalem to consider several issues -- including weapon confiscations. Clinton was sharply rebuked (AP Dec. 15) by Netanyahu for his

comments about the plight of children of jailed Palestinians. Of the 1,700 Palestinians jailed by the Israelis, 250 were released last month -- mostly common thieves according to some. Clinton did succeed in getting the assembled Palestinians to raise their hands (rather than vote) in favor of eliminating anti-Israeli clauses in the PLO covenant. The crowd cheered (Reuters Dec. 14) when he said that peace had to involve "legitimate rights for Palestinians" but went mute when he called for "real security for Israel." After the show of hands, Clinton stated (News Hour PBS Dec. 14): "I thank you for your rejection, fully, finally and forever, of the passages in the Palestinian charter calling for the destruction of Israel." Israeli Political Commentator Be'ev Chafets said that in return for a dead covenant, Arafat got (CNN Dec. 14) "a virtual American declaration of support for Palestinian sovereignty. It would say that's one of the best deals since the Indians sold Manhattan."

Andrew Young (CFR/TC) once lost his job as UN Ambassador after meeting with PLO representatives in New York. In 1993, when Yitzhak Rabin (33rd M) shook Arafat's hand, at the White House meeting to seal the Oslo accords, it (Austin American- Statesman Dec. 13) became acceptable for American to meet openly with the PLO. Efraim Inbar, an Israeli political scientist, said it was the Israelis who gave Arafat his "kosher certificate."

Yitzak Rabin once said that the Palestinians could crush terrorist groups much easier than Israel because they had no supreme court and no human-rights watchdogs. Some 150 supporters of Arafat's political opposition (Financial Times Oct 21) have been rounded up after tips from the Israelis. The Palestinian police have locked up dozens of suspects, often from their homes, to face midnight trials, without being allowed to see a lawyer. When asked about the Palestinian effort to collect Arab guns (New York Times Dec. 12), Albright stated: "Well. that process has begun, and it needs to continue. And I'm not going to characterize our level of contentment at the moment."

Clinton and Arafat, with wives in tow, toured Bethlehem together where the president hung an ornament on a Christmas tree (Reuters Dec. 15). Hanan Ashrawi, a PNC Member, said (CNN Dec. 14): "It was a mission impossible from the beginning because Netanyahu and the Israeli government had no intention of compliance." Leslie Susser, another Israeli Political Analyst, said (CNN Dec. 14): "All situations for Mr. Netanyehu are adversarial and there is only one winner."

Martin Woollacott (World Press Review January 1999) wrote on November 1: "The essence of the Israeli position has been to demand security guarantees so tight that they cannot be fulfilled. However hard he tries . . . Arafat cannot give Israel total security against every suicide bomber and every extremist group." He added: "As violations almost inevitably occur, they will provide Netanyahu with opportunities to denounce the Palestinians and suspend any territorial transfers or to take an even harder line in the negotiations over the final status of the Palestinian entity." Woollacott predicted: "The state that might emerge at the end of a process dominated by Netanyahu and Sharon would indeed be a woeful thing."

President Clinton first visited Israel in the 1980s (U.S. News Dec. 14) with the Rev. W.O. Vaught. The latter told Clinton: "If you abandon Israel, God will never forgive you." It was Clinton's 4th Middle East trip as president and served to strengthen his bonds with the Jewish voters back home. Although Jews are 3% of the total U.S. population, they accounted for 12% of the vote last month in New York, 9% in Illinois and 4% in California. A senior White House official was quoted: "Any serious presidential candidate has to have a policy towards Israel and a relationship with key actors" there.

On PBS, in a story entitled "Where Is Wye?" the guests interviewed by Phil Ponce were Robert Barry Satloff (CFR), Executive Director of the Washington Institute for Near East Policy and Rashid Khalidi, Professor of Middle East History and Director of the Center for International Studies, University of Chicago. Satloff had just returned from a visit to Israel, Garza and the

West Bank. He met with a senior member of Hamas that was not in jail and was disappointed to learn that not one Hamas organization had been shut down and that no complaints were being made about Arafat. No crackdowns are yet being made on the terrorist infrastructure. Kahlidi said that the Hamas organization provides help to kindergartens, schools, nurseries and so forth. Hamas does many important social things that the Israelis are trying to shut-down. He said that Israel had "superior power" at the Wye conference. Despite the agreement that there be no changes in the status quo, Israeli has roared ahead with expansion of settlements, confiscating land and building bypass roads. While Israel is complaining about Palestinian statements, the Palestinians are protesting, in vain, against Israeli actions that have, in the past six to seven years, caused massive changes on the ground. While Clinton's visit gave the Palestinians an "emotional boost" that will last a few days, they ultimately face disappointment on the things that really matter in the long run.

Frank Sesno (CFR) filled-in for Wolf Blitzer (CNN Dec. 15) while Blitzer was on his way back from covering Clinton in Israel. His guests included Richard "Dick" Andrew Gephardt (CFR). Blitzer said that Clinton was the only outsider who could keep the peace process going and that Clinton would be available all day when he got back to the White House if House members wanted to talk with him about impeachment.

When the Wye accords were being negotiated (Edward Said World Press Review January 1999), the U.S. press "reported the proceedings with a flagrant disregard of the facts. No one bothered to point out . . . that no Jewish settlements are to be given up, or that land supposedly being given to Palestinian leader Yasser Arafat's corrupt Palestinian Authority was broken down into bits and pieces, all of it subject to Israel's choice of date and location . . . the Palestinian areas are for the most part non-contiguous and all no free passage between them. Of course, Jerusalem remains off-limits to residents of Gaza and the West Bank." The relationship was described: "The Israelis will continue to be the masters, the Palestinians the abject slaves."

Thousands of Palestinians changed their pro-U.S. tune (AP Dec. 17th) and chanted "Death to Clinton."

Clinton said (New Hour PBS Dec. 15): "We believe in keeping to these (Wye) schedules as much as possible."

FULL TEXT OF THE WYE RIVER ACCORD

I. FURTHER REDEPLOYMENTS

A. Phase One and Two Further Redeployments

1. Pursuant to the Interim Agreement and subsequent agreements, the Israeli side's implementation of the first and second F.R.D. will consist of the transfer to the Palestinian side of 13% from Area C as follows:

1% to Area (A) 12% to Area (B)

The Palestinian side has informed that it will allocate an area/areas amounting to 3% from the above Area (B) to be designated as Green Areas and/or Nature Reserves. The Palestinian side has further informed that they will act according to the established scientific standards, and that therefore there will be no changes in the status of these areas, without prejudice to the rights of the existing inhabitants in these areas including Bedouins; while these standards do not allow new construction in these areas, existing roads and buildings may be maintained.

The Israeli side will retain in these Green Areas/Nature Reserves the overriding security

responsibility for the purpose of protecting Israelis and confronting the threat of terrorism. Activities and movements of the Palestinian Police forces may be carried out after coordination and confirmation; the Israeli side will respond to such requests expeditiously.

2. As part of the foregoing implementation of the first and second F.R.D., 14.2% from Area (B) will become Area (A).

B. Third Phase of Further Redeployments

With regard to the terms of the Interim Agreement and of Secretary Christopher's letters to the two sides of January 17, 1997 relating to the further redeployment process, there will be a committee to address this question. The United States will be briefed regularly.

II. SECURITY

In the provisions on security arrangements of the Interim Agreement, the Palestinian side agreed to take all measures necessary in order to prevent acts of terrorism, crime and hostilities directed against the Israeli side, against individuals falling under the Israeli side's authority and against their property, just as the Israeli side agreed to take all measures necessary in order to prevent acts of terrorism, crime and hostilities directed against the Palestinian side, against individuals falling under the Palestinian side's authority and against their property. The two sides also agreed to take legal measures against offenders within their jurisdiction and to prevent incitement against each other by any organizations, groups or individuals within their jurisdiction.

Both sides recognize that it is in their vital interests to combat terrorism and fight violence in accordance with Annex I of the Interim Agreement and the Note for the Record. They also recognize that the struggle against terror and violence must be comprehensive in that it deals with terrorists, the terror support structure, and the environment conducive to the support of terror. It must be continuous and constant over a long-term, in that there can be no pauses in the work against terrorists and their structure. It must be cooperative in that no effort can be fully effective without Israeli-Palestinian cooperation and the continuous exchange of information, concepts, and actions.

Pursuant to the prior agreements, the Palestinian side's implementation of its responsibilities for security, security cooperation, and other issues will be as detailed below during the time periods specified in the attached time line:

A. Security Actions

1. Outlawing and Combating Terrorist Organizations

(a) The Palestinian side will make known its policy of zero tolerance for terror and violence against both sides.

(b) A work plan developed by the Palestinian side will be shared with the U.S. and thereafter implementation will begin immediately to ensure the systematic and effective combat of terrorist organizations and their infrastructure.

(c) In addition to the bilateral Israeli-Palestinian security cooperation, a U.S.-Palestinian committee will meet biweekly to review the steps being taken to eliminate terrorists calls and the support structure that plans, finances, supplies and abets terror. In these meetings, the Palestinian side will inform the U.S. fully of the actions it has taken to outlaw all organizations (or wings of organizations, as appropriate) of a military, terrorist or violent character and their

support structure and to prevent them from operating in area under its jurisdiction.

(d) The Palestinian side will apprehend the specific individuals suspected of perpetrating acts of violence and terror for the purpose of further investigation, and prosecution and punishment of all persons involved in acts of violence and terror.

(e) A U.S.-Palestinian committee will meet to review and evaluate information pertinent to the decisions on prosecution, punishment or other legal measures which affect the status of individuals suspected of abetting or perpetrating acts of violence and terror.

2. Prohibiting Illegal Weapons

(a) The Palestinian side will ensure an effective legal framework is in place to criminalize, in conformity with the prior agreements, any importation, manufacturing or unlicensed sale, acquisition or possession of firearms, ammunition or weapons in areas under Palestinian jurisdiction.

(b) In addition, the Palestinian side will establish and vigorously and continuously implement a systematic program for the collection and appropriate handling of all such illegal items it accordance with the prior agreements. The U.S. has agreed to assist in carrying out this program.

(c) A U.S.-Palestinian-Israeli committee will be established to assist and enhance cooperation in preventing the smuggling or other unauthorized introduction of weapons or explosive materials into areas under Palestinian jurisdiction.

3. Prevention Incitement

(a) Drawing on relevant international practice and pursuant to Article XXII (1) of the Interim Agreement and the Note for the Record, the Palestinian side will issue a decree prohibiting all forms of incitement to violence or terror, and establishing mechanisms for acting systematically against all expressions or threats of violence or terror. This decree will be comparable to the existing Israeli legislation which deals with the same subject.

(b) A U.S.-Palestinian-Israeli committee will meet on a regular basis to monitor cases of possible incitement to violence or terror and to make recommendations and reports on how to prevent such incitement. The Israeli, Palestinian and U.S. sides will each appoint a media, specialist, a law enforcement representative, an educational specialist and a current or former elected official to the committee.

B. Security Cooperation

The two sides agree that their security cooperation will be based on a spirit of partnership and will include, among other things, the following steps:

1. Bilateral Cooperation

There will be full bilateral security cooperation between the two sides which will be continuous, intensive and comprehensive.

2. Forensic Cooperation

There will be an exchange of forensic expertise, training, and other assistance.

3. Trilateral Committee

In addition to the bilateral Israeli-Palestinian security cooperation, a high-ranking U.S.-Palestinian-Israeli committee will meet as required and not less than biweekly to assess current threats, deal with any impediments to effective security cooperation and coordination and address the steps being taken to combat terror and terrorist organizations. The committee will also serve as a forum to address the issue of external support for terror. In these meetings, the Palestinian side will fully inform the members of the committee of the results of its investigations concerning terrorist suspects already in custody and the participants will exchange additional relevant information. The committee will report regularly to the leaders of the two sides on the status of cooperation, the results of the meetings and its recommendations.

C. Other Issues

(a) The Palestinian side will provide a list of its policemen to the Israeli side in conformity with the prior agreements.

(b) Should the Palestinian side request technical assistance, the U.S. has indicated its willingness to help meet those needs in cooperation with other donors.

(c) The Monitoring and Steering Committee will, as part of its functions, monitor the implementation of this provision and brief the U.S.

2. PLO Charter

The Executive Committee of the Palestine Liberation Organization and the Palestinian Central Council will reaffirm the letter of 22 January 1998 from PLO Chairman Yasir Arafat to President Clinton concerning the nullification of the Palestinian National Charter provisions that are inconsistent with the letters exchanged between the PLO and the Government of Israel on 9-10 September 1993. PLO Chairman Arafat, the Speaker of the Palestine National Council, and the Speaker of the Palestinian Council will invite the members of the PNC, as well as the members of the Central Council, the Council, and the Palestinian Heads of Ministries to a meeting to be addressed by President Clinton to reaffirm their support for the peace process and the aforementioned decisions of the Executive Committee and the Central Council.

3. Legal Assistance in Criminal Matters

Among other forms of legal assistance in criminal matters, the requests for arrest and transfer of suspects and defendants pursuant to Article II (7) of Annex IV of the Interim Agreement will be submitted (or resubmitted) through the mechanism of the Joint Israeli-Palestinian Legal Committee and will be responded to in conformity with Article II (7) (f) of Annex IV of the Interim Agreement within the 12 week period. Requests submitted after the eighth week will be responded to in conformity with Article II (7) (f) within four weeks of their submission. The United States has been requested by the sides to report on a regular basis on the stops being taken to respond to the above requests.

4. Human Rights and the Rule of Law

Pursuant to Article XI (1) of Annex I of the Interim Agreement, and without derogating from the above, the Palestinian Police will exercise powers and responsibilities to implement this Memorandum with due regard to internationally accepted norms of human rights and the rule of law, and will be guided by the need to protect the public, respect human dignity, and avoid harassment.

III. INTERIM COMMITTEES AND ECONOMIC ISSUES

1. The Israeli and Palestinian sides reaffirm their commitment to enhancing their relationship and agree on the need actively to promote economic development in the West Bank and Gaza. In this regard, the parties agree to continue or to reactivate all standing committees established by the Interim Agreement, including the Monitoring and Steering Committee, the Joint Economic Committee (JEC), the Civil Affairs Committee (CAC), the Legal Committee, and the Standing Cooperation Committee.

2. The Israeli and Palestinian sides have agreed on arrangements which will permit the timely opening of the Gaza Industrial Estate. They also have concluded a "Protocol Regarding the Establishment and Operation of the International Airport in the Gaza Strip During the Interim Period."

3. Both sides will renew negotiations on Safe Passage immediately. As regards the southern route, the sides will make best efforts to conclude the agreement within a week of the entry into force of this Memorandum. Operation of the southern route will start as soon as possible thereafter. As regards the northern route, negotiations will continue with the goal of reaching agreement as soon as possible. Implementation will take place expeditiously thereafter.

4. The Israeli and Palestinian sides acknowledge the great importance of the Port of Gaza for the development of the Palestinian economy, and the expansion of Palestinian trade. They commit themselves to proceeding without delay to conclude an agreement to allow the construction and operation of the port in accordance with the prior agreements. The Israeli-Palestinian Committee will reactivate its work immediately with a goal of concluding the protocol within 60 days, which will allow commencement of the construction of the port.

5. The two sides recognize that unresolved legal issues adversely affect the relationship between the two peoples. They therefore will accelerate efforts through the Legal Committee to address outstanding legal issues and to implement solutions to these issues in the shortest possible period. The Palestinian side will provide to the Israeli side copies of all of its laws in effect.

6. The Israeli and Palestinian sides also will launch a strategic economic dialogue to enhance their economic relationship. They will establish within the framework of the JEC an Ad Hoc Committee for this purpose. The committee will review the following four issues: (1) Israeli purchase taxes; (2) cooperation in combating vehicle theft; (3) dealing with unpaid Palestinian debts; and (4) the impact of Israeli standards as barriers to trade and the expansion of the A1 and A2 lists. The committee will submit an interim report within three weeks of the entry into force of this Memorandum, and within six weeks will submit its conclusions and recommendations to be implemented.

7. The two sides agree on the importance of continued international donor assistance to facilitate implementation by both sides of agreements reached. They also recognize the need for enhanced donor support for economic development in the West Bank and Gaza. They agree to jointly approach the donor community to organize a Ministerial Conference before the end of 1998 to seek pledges for enhanced levels of assistance.

IV. PERMANENT STATUS NEGOTIATIONS

The two sides will immediately resume permanent status negotiations on an accelerated basis and will make a determined effort to achieve the mutual goal of reaching an agreement by May 4, 1999. The negotiations will be continuous and without interruption. The United States has

expressed its willingness to facilitate these negotiations.

V. UNILATERAL ACTIONS

Recognizing the necessity to create a positive environment for the negotiations, neither side shall initiate or take any step that will change the status of the West Bank and the Gaza Strip in accordance with the Interim Agreement.

ATTACHMENT: Time Line

This Memorandum will enter into force ten days from the date of signature.

Done at Washington, DC this 23rd day of October 1998.

For the Government of the State of Israel

For the PLO

Witnessed by: The United States of America

TIME LINE

Note: Parenthetical references below are to paragraphs in "The Wye River Memorandum" to which this time line is an integral attachment. Topics not included in the time line follow the schedule provided for in the text of the memorandum.

1. Upon Entry into Force of the Memorandum:

-- Third further redeployment committee starts (I (B))

-- Palestinian security work plan shared with the U.S. (II (A)(1)(b))

-- Full bilateral security cooperation (II (B)(1))

-- Trilateral security cooperation committee starts (II (B)(3))

-- Interim committees resume and continue; Ad Hoc Economic Committee starts (III)

-- Accelerated permanent status negotiations start (IV)

2. Entry into Force - Week 2:

-- Security work plan implementation begins (II (A)(1)(b)); (II (A)(1)(c)) committee starts

-- Illegal weapons framework in place (II (A)(2)(a)); Palestinian implementation report (II (A)(2)(b);

-- Anti-incitement committee starts (II (A)(3)(b)); decree issued (II (A)(3)(a))

-- PLO Executive Committee reaffirms Charter letter (II (C)(2))

-- Stage 1 of F.R.D. implementation: 2% C to B, 7.1% B to A. Israeli officials acquaint their Palestinian counterparts as required with areas; F.R.D. carried out; report on F.R.D. implementation (I(A))

3. Week 2-6:

-- Palestinian Central Council reaffirms Charter letter (weeks two to four) (II (C)(2))

-- PNC and other PLO organizations reaffirm Charter letter (weeks four to six) (II (C)(2))

-- Establishment of weapons collection program (II (A)(2)(b)) and collection stage (II (A)(2)(c)); committee starts and reports an activities

-- Anti-incitement committee report (II (A)(3)(b))

-- Ad Hoc Economic Committee: interim report at week three; final report at week six (III)

-- Policemen list (II (C)(1)(a)), Monitoring and Steering Committee review starts (II (C)(1)(c))

-- Stage 2 of F.R.D. implementation: 5% C to B. Israeli officials acquaint their Palestinian counterparts as required with areas; F.R.D. carried out; report on F.R.D. implementation (I (A))

4. Week 6-12:

-- Weapons collection stage (II (A)(2)(b)); (II (A)(2)(c)) committee report on its activities.

-- Anti-Incitement committees report (II (A)(3)(b))

-- Monitoring and Steering Committee briefs U.S. on policemen list (II (C)(1)(c))

-- Stage 3 of F.R.D. implementation: 5% C to B, 1% C to A, 7.1% B to A -- Israeli officials acquaint Palestinian counterparts as required with areas; F.R.D. carried out; report on F.R.D. implementation (I (A))

5. After Week 12:

Activities described in the Memorandum continue as appropriate and if necessary, including;

-- Trilateral security cooperation committee (II (B)(3))

-- (II (A)(1)(c)) committee

-- (II (A)(1)(e)) committee

-- Anti-incitement committee (II (A)(3)(b))

-- Third Phase F.R.D. Committee (I (B))

-- Interim Committees (III)

-- Accelerated permanent status negotiations (IV)

CHINA NEWS THIS WEEK: TRADE BALANCE WITH U.S., TOUGH TAX COLLECTORS AND NO OPPOSITION PARTY

David L. Aaron (CFR), Undersecretary of Commerce, told a think-tank in Washington on Monday about the U.S. and China: "It may well be that trade is the most disturbing factor in the

relationship." China has a projected $60 billion edge in its trading with the U.S. (AP Dec. 15). China is enforcing stiff penalties (Reuters Dec. 15) for tax evasion that include the death penalty. Vice Premier Li Lanqing was quoted Tuesday by a German financial newspaper that tax officials "should have an iron face, an iron heart and an iron hand." In China collected taxes amount to almost 11% of its GNP. Robert Murdock, who fell from grace in 1993 after saying satellite TV and modern communications posed an "unambiguous threat to totalitarian regimes everywhere," is now back in good graces with the Chinese (Financial Times Dec. 12-13). The CEO and Chairman of News Corporation had a one-hour meeting with President Zemin with resulting front-page smiling coverage in the China Daily newspaper. Murdock's HarperCollins publishing group, earlier this year, dropped its plans to publish a book by Chris Patten, the last UK governor of Hong Kong. China put two opposition leaders on trial Thursday (Austin American-Statesman Dec. 18) on charges of subversion that could bring life sentences. Wang Youcai and Qin Yongmin were not allowed lawyers for their quick, closed two-and-a-half hour trials. More than thirty individuals have been detained or questioned in an 18-day crackdown. China's President Ziang Zemin said Friday (Austin American-Statesman Dec. 19) that those who challenge the Communist Party's political monopoly will be quashed: "The western mode of political systems must never be copied." Xu Wenli will stand trial on Monday.

JAPAN: ABOUT TO BE FORECLOSED ON BY INTERNATIONAL BANKERS?

Japan's corporate bankruptcies fell 4.6% in November (AP Dec. 14) as compared to a year earlier. The first drop in 18 months came as a quarter business survey showed business confidence at a record low. Arthur Alexander, President of the Japan Economic Institute, said that the combination of reduced consumption and weak investment was causing a stalling economy. Banking regulators (Moneyline Dec. 14) seized The Nippon Credit Bank Ltd. which has been insolvent since March with $30 billion in bad loans. Richard Jerram, Chief Economist with ING Barings, Japan, saw this as a positive development (Moneyline Dec. 14). Several Japanese banks (AP Dec. 18) may sue the Minister of Finance for hiding the size of bad loans at Nippon Credit Bank Ltd. They are among the 34 finance companies that loaned Nippon $1.8 billion last year in a ministry-orchestrated rescue. Nippon will be nationalized which will give the finance companies little chance to recover their loans. High tariffs on rice will begin in April (AP Dec. 17). Thomas S. Foley (BB/CFR/TC), former Speaker of the U.S. House and now U.S. Ambassador to Japan, said the tariff could "cripple" exports of U.S. rice. The Japanese responded that the tariff conforms to W.T.O. regulations. Japan now imports 6.4% of its annual rice consumption.

ALSO IN THE NEWS

On PBS William Frank Buckley, Jr. (BB/CFR/S&B 1950) debated impeachment (News Hour PBS Dec. 14). James A. Baker III (CFR) was interviewed on Moneyline Dec. 15.

Gorby follower Ted Turner (M) made a speech to the Society of Environmental Journalists in Atlanta in which (New American Dec. 7) he distinguished between "a well-organized bunch of smart people or (the) disorganized dumb . . . " He said the Judeo-Christian religion was "not . . environmentally friendly . . . "

When the social security fund of about $99 billion is excluded (New American Dec. 21) the overall budget deficit is around $28 billion.

Senator William V. Roth, Jr. (CFR/TC), President of the American Assembly, has issued a report, *NATO In the 20th Century,* urging the alliance to update its strategic concept by expanding its area of operations and claiming the authority to act without specific authority from the UN.

The David and Lucille Packard Foundation, the third largest tax-exempt foundation in the U.S., with assets of $9 billion, announced in November (New American Dec. 21) a grant of $333 million for international population control and "reproductive health" programs.

Israel now has (AP Dec. 17) an operational Arrow anti-missile radar system named "Green Pine" that is capable of tracking a ballistic missile in flight, and an Israeli satellite called Amos.

Clinton will make another try (Austin American-Statesman Dec. 13) for some $20 billion for child care. Bruce Reed, Clinton's domestic policy adviser, said: "We're not going to just drop the subject."

At least eight members of the New Labor government in England (New American Dec. 21) are homosexuals. *The Sun*, Britain's most popular newspaper, has editorialized that Britain is being run by a "cabal" of homosexuals.

Ehud Barak, Israeli opposition Labor leader, accused Netanyahu on Thursday (Reuters Dec. 17) of caving in to right-wing extremists. Barak is Israel's most decorated soldier and was once Netanyahu's army commander.

Goldman Sachs, despite an 81% decline in quarterly earnings (Moneyline Dec. 14), still plans to go public.

Mexico is providing debt relief (Austin American-Statesman Dec. 18) to include a discount of up to 60% for fisheries and farmers.

On Friday the Protestant Loyalist Volunteer Force (LVF) began (Reuters Dec. 18) turning in its weapons over to an international commission (AP Dec. 18) for grinding. The IRA has said it has no intention of disarming immediately.

Boston is now requiring city police officers to use gun locks (Austin American-Statesman Dec. 16).

QUOTES

"So valuable is that edge that to play the market we cede our trust to connivers, our legal rights to a system that denies us those rights, and our moral authority to those who with a wink and a nudge invite us to join their scam. If we get burned, well, hell, it was our own fault for reaching." -- Ted C. Fishman (Harpers Dec. 1998)

"If Jesus Christ had taken a poll, he would never have preached the gospel" -- Henry Hyde (CFR), ABC News Dec. 13

"When a society is perishing, the true advice to give those who would restore it is to recall it to the principles from which it sprang." -- Pope Leo XIII, Encyclical on Labor, Paul Harvey, AUTUMN OF LIBERTY 13 (1954).

"People will not look forward to posterity who never look backwards to their ancestors." -- Edmund Burke [William P. Hoar, ARCHITECTS OF CONSPIRACY x (1984)]

"The handsomest pictures in the history of individuals are the pictures of those who have stood out independent of government,-- individuals who made such replies as that historic reply of two recalcitrant subjects to whom the king said, "Do you know that I can hang you?' 'Aye,' they replied, 'and we can die cursing you.' We should crave the spirit that will not be subdued: only under the government of unsubduable individual spirits can shall we return to the great days of Jefferson." -- Woodrow Wilson (April 16, 1906)